FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	239.9	239.9	646.1	646.1	2621.6	2622.1	6.99	6.99	6.08	6.08
May	242.3	242.3	658.6	658.6	2647.0	2649.6	6.85	6.85	6.19	6.19
June	244.2	243.4	666.3	666.8	2667.3	2670.6	6.92	6.92	6.27	6.27
July	245.6	245.5	673.7	676.1	2685.0	2699.1	6.52	6.56	5.85	5.86
August	247.2	246.8	679.6	687.8	2702.5	2723.8	6.36	6.17	5.79	5.55
September	248.8	248.6	686.1	693.3	2720.9	2740.6	6.32	5.89	5.81	5.35
October	250.3	250.2*	689.1	702.8*	2735.4	2759.8*	6.48	5.86*	5.93	5.35*
November	251.9	251.5	694.2	706.7	2749.6	2775.1	6.59	5.74	6.07	5.26
December	253.5	252.9	699.3	710.1	2763.5	2788.5	6.52	5.63	6.06	5.17
January 1987	255.2	254.6	704.6	714.9	2784.7	2805.2	6.41	5.58	5.91	5.03
February	256.9	256.3	710.3	719.6	2806.5	2822.0	6.22	5.46	5.79	5.01
March	258.6	257.8	715.4	723.8	2829.2	2838.5	6.51	5.32	5.94	4.86
April	260.3	259.5	718.4	728.3	2843.6	2856.1	6.69	5.26	6.01	4.85
May	262.1	261.2	722.9	733.5	2861.7	2873.2	6.78	5.25	6.04	5.03
June	263.9	263.0	727.4	738.3	2880.7	2890.4	6.87	5.34	6.04	5.17
July	265.3	264.7	733.0	743.0	2898.3	2908.8	6.45	5.42	5.83	5.22
August	266.4	266.0	737.7	747.2	2915.2	2925.2	6.40	5.63	5.80	5.36
September	267.5	267.4	740.6	751.4	2927.0	2941.6	6.42	5.77	5.80	5.49

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1986	8.79	8.79	7.20	7.20	6.60	6.60	6.60	6.60	8.83	8.83
May	9.09	9.09	7.54	7.54	6.62	6.62	6.65	6.65	8.50	8.50
June	9.13	9.13	7.87	7.87	6.71	6.71	6.73	6.73	8.50	8.50
July	8.94	8.88	7.69	7.51	6.43	6.33	6.47	6.37	8.14	8.16
August	8.83	8.72	7.59	7.21	6.26	5.92	6.34	5.92	8.00	7.90
September	8.77	8.89	7.47	7.11	6.21	5.68	6.30	5.71	8.00	7.50
October	8.89	8.96*	7.51	7.20*	6.53	5.78*	6.63	5.84*	8.00	7.50*
November	9.03	9.05	7.68	7.32	6.62	5.86	6.72	5.90	8.00	7.50
December	9.20	8.89	7.85	7.25	6.55	5.72	6.65	5.80	8.00	7.50
January 1987	8.99	8.76	7.64	7.10	6.36	5.59	6.47	5.69	8.00	7.50
February	8.52	8.53	7.17	6.89	6.17	5.43	6.28	5.50	8.00	7.50
March	8.46	8.47	7.08	6.79	6.53	5.28	6.64	5.36	8.00	7.26
April	8.69	8.55	7.30	6.88	6.74	5.25	6.83	5.29	8.00	7.00
May	8.92	8.62	7.49	6.97	6.83	5.29	6.94	5.34	8.50	7.00
June	8.86	8.60	7.44	6.92	6.95	5.37	7.13	5.43	8.50	7.00
July	8.73	8.66	7.27	7.02	6.42	5.46	6.61	5.51	8.50	7.23
August	8.59	8.69	7.13	7.04	6.37	5.59	6.52	5.65	8.50	7.50
September	8.55	8.87	7.05	7.21	6.35	5.72	6.47	5.80	8.50	7.50

Fore. = August Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

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MONTHLY PROJECTIONS
November 1986

Dr. Donald Ratajczak, Director
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WILL IMPROVING TRADE BE ENOUGH?

Finally, the long-awaited improvement in international trade appears to have begun with a decline in the deficit to $12.06 billion in October. To be sure, low trade deficits were announced in two previous months merely to be eradicated when more appropriate information became available. For example, the September report initially showed a deficit of $12.6 billion, but that was revised to a high deficit of $14.74 billion. These revisions are caused by processing delays, which are especially significant for the processing of import invoices. In October, however, much of the improvement in the trade accounts occurred on the export side, with exports rising a sharp 10.3%. This suggests that even when all October invoices are finally processed, a significant reduction in the trade deficit will remain.

Certainly, a declining trade deficit is a necessary condition for generating increasing economic growth in 1987. The consumer has shifted from an aggressive leader of economic growth to a more passive position. This is necessitated by debt restraints for those households that do not own significant stocks and bonds and by satiation for most consumers, especially with respect to automobiles, furniture, appliances, and apparel. All of these consumption items had been running above long-term trends in the previous few years. The shift in the consumer from a leader to a passive performer in the economy will eliminate a full percentage point from economic growth in 1987.

In addition, the adverse effects on construction from tax reform will shift the construction industry from adding nearly 0.7% to GNP in 1986 to subtracting more than that amount in 1987 and another 1% from growth in 1988. Thus, the restraint on consumption and construction alone would slow economic growth by 2.5 percentage points in 1987. As government spending is not expected to materially offset the sluggish performance in those important sectors and capital spending will struggle to remain flat, improving trade must develop in order to have any significant economic growth in 1987.

Nevertheless, many analysts are overstating the magnitude by which trade will provide economic stimulus in the next year. While the dollar has fallen sharply against the currencies of most industrialized nations, it has not signi-

ficantly declined against those countries providing most of the industrial materials being imported into the United States. Therefore, the fiber, building material, and metal industries that are facing import competition have received relatively little relief from currency movements. As long as price signals are not being altered, economic flows also should not change.

Another problem associated with improving trade balances is that a significant portion of that improvement reflects gains in agricultural exports. Now that the agricultural policies of the administration have created world prices for American products, orders abroad have increased significantly. Over time, this increased reliance upon American production will stem the current incentives to increase production capability abroad. As a result, world excess capacity in agricultural products will slowly shrink with a significant portion of this capacity shrinkage developing outside the United States. However, the movement toward world prices was achieved while propping up the incomes of farmers. Therefore, the relationship between product prices and incomes in the farm sector have been severed. Thus, low prices for American commodities will have only a limited impact upon restraining production in the United States. Similarly, as world demand gradually improves and begins to increase agricultural prices, production in the United States will be largely unaffected. Rather, increased exports of agricultural products will be developed at the expense of purchases by the Commodity Credit Corporation. In terms of the GNP accounts, agricultural products in the export sector will increase while agricultural products in government expenditures will fall. The level of GNP remains unchanged.

Of course, not all the improvement in trade was in agriculture. The American aerospace industry is beginning to regain its worldwide competitive position. There also appears to be some improvement in industrial materials moving abroad, especially chemicals and paper products. However, imports are continuing to expand. Furthermore, oil imports in both volume and value probably will increase significantly in the next year. Prices in October were at a relatively low $13.36 per barrel. Current spot prices in the world suggest that delivered oil by January will be in excess of $15 per barrel. Also, this significant decline in oil prices has dramatically reduced the incentive for gas and oil exploration in the United States. Current industry estimates suggest that well production costs plus compensation for risk require a price of nearly $20 per barrel to add to gross reserves. As existing reserves are diminished, the prevailing $15 per barrel suggests that no new reserves will be added to replace that which is exhausted. Therefore, production capability will gradually dwindle. Industry estimates suggest that this dwindling will be between 300,000 and 500,000 barrels a day per year. All of this must be made up by imports. Therefore, significant oil imports will develop in 1987 and beyond.

Of course, if the value of oil imports rises and leads to higher trade deficits than currently, the dollar will merely weaken further to displace other imports and reduce international trade imbalances. In addition, significant gains in dollar holdings abroad will sharply raise factor incomes earned in the United States by foreign investors. In the past year net factor incomes have deteriorated from $39.1 billion to $35.3 billion. Further declines in this net factor income position will largely offset any improvement in the trade deficit that develops. Assuming foreign investors will not continue to absorb the current magnitude of American capital assets, this development will lead to significantly lower values for the dollar, resulting in more substantial inflation in 1987 and beyond than most analysts are currently anticipating. Indeed,

a D-mark trading at 1.75 to the dollar and only 135 yen needed to buy the dollar could materialize by the end of 1987.

Nevertheless, there will be a significant contribution to GNP growth as a result of a swing in the trade balances over the next two years. In 1986 the trade accounts subtracted more than a percentage point from economic activity. In 1987, an improving trade picture should add a percentage point to GNP and add a further percentage point to GNP in 1988.

Despite improving prospects for the trade accounts, economic activity almost certainly will slow significantly early in 1987. Late in 1986 short-term credit market pressures began developing as investors tried to build out as much of their construction product as possible at the same time that the automobile and manufacturing industries were rebuilding depleted inventories. However, this upward pressure upon short-term interest rates should dissipate by the end of 1986. Early in 1987 construction weakness should become relatively widespread. In addition, some consumer spending may be shifted into 1986 at the expense of early 1987 as a result of promotions informing the consumer that sales tax deductions will end when 1986 is over.

Weakness developing early in 1987 should lead to a significant decline in interest rates. Indeed, the long-term government bond should fall below 7% sometime in the late winter or early spring months. Enough weakness probably will be generated early in 1987 to entice the Federal Reserve to move one more time toward lower discount rates. As a result, the prime rate probably will fall to 7% early in the year and remain at that level through much of the remainder of the year. However, increasing inflationary concerns toward the end of 1987 may very well lead to rising interest rates at that time.

The outlook for lower interest rates but a weakening economy provides a mixed position for equity values. At the present time the equity markets appear to be uncovering all of the positives and ignoring all the negatives. It is possible that many analysts will be surprised by fourth quarter declines in reported profits as a result of the need to take out the investment tax credit from the earnings in earlier quarters. However, this tax removal cannot be done by restating the previous quarters but rather must be reversed in the quarter where the material change occurred. For many companies this will be on their fourth quarter earnings report. Therefore, the stock market may be vulnerable to some downside potential early in 1987 when these relatively lackluster earnings begin to be announced. Later in the year, the stock market will again be buffeted by offsetting pressures. Economic activity will improve but interest rates probably will be drifting upward. Initially, stock values could rebound in this economic environment. However, possibilities of accelerating inflation early in 1988 (remember, a large social security tax increase is initiated at that time) may very well end further gains in equity values.

Quarterly Profile of GNP

	1986-3	1986-4	1987-1	1987-2	1987-3	1987-4	1986 Annual	1987 Annual
Real:	2.9	1.7	1.2	2.4	2.1	1.8	2.6	1.9
Price:	3.6	3.9	3.8	3.5	3.8	4.1	2.8	3.6
Nominal:	6.4	5.7	5.0	5.9	5.9	5.9	5.5	5.5

Monthly Statistical Highlights for November 1986

Payroll employment +147,000; index of hours worked +0.2%; household employment +166,000; civilian unemployment rate 7.0%; personal income +0.3%; savings rate 4.4%; personal consumption -0.1%; retail sales -1.3%; auto sales 9.6 million; housing starts +0.7%; housing permits -1.6%; construction expenditures -0.3%; business inventories +0.4%; orders for durable goods +2.2%; orders for nondefense capital goods +0.2%; industrial production +0.2%; CPI +0.3%; PPI +0.2%; consumption deflator +0.3%; leading indicators +0.1%; real GNP 1.0%; M1 18.5%; M2 10.0%.

Monthly Statistical Highlights For December 1986

Payroll employment +169,000; index of hours worked +0.2%; household employment +185,000; civilian unemployment rate 6.9%; personal income +0.4%; savings rate 4.0%; personal consumption +0.7%; retail sales +1.2%; auto sales 9.9 million; housing starts -0.9%; housing permits -1.2%; construction expenditures -0.1%; business inventories +0.4%; orders for durable goods -0.5%; orders for nondefense capital goods +0.7%; industrial production +0.2%; CPI +0.3%; PPI +0.3%; consumption deflator +0.3%; leading indicators -0.1%; real GNP 2.6%; M1 14.2%; M2 10.0%.

Employment - While payroll employment jumped 298,000 in October, jobs were being substituted for hours. The total index of hours worked remained unchanged, reflecting a dormant economic performance. Our early assessment for November is that payroll employment will grow much more slowly but the work week will become extended, showing much more strength. However, initial unemployment claims have fallen significantly during the month and the insured unemployment rate dipped to 2.6%. This indicates that payroll employment is up in excess of 200,000 and that the civilian unemployment rate will fall to 6.9%. The October employment situation also showed a significant increase in the hourly earnings index. This could be the result of data distortions, assuming that the survey misrepresented the length of the work week. If so, the hourly earnings index should grow much more slowly in the next month. The hourly index is still only 2.6% above previous year levels, but the 0.4% adjusted gain for October is the first troublesome sign of potential wage pressures.

Personal Income - Although wage income grew a healthy $14 billion in October, $5.6 billion of that gain was a one-time profit sharing bonus at annual rates received by automobile workers. Thus, the October base must be lowered by that amount before comparing movements in November. Therefore, our projections of a $5 billion increase in wages is relatively vigorous. On the other side of the spectrum, reduced farm subsidies took $3 billion out of personal income in October. These subsidies appear to be at seasonally low levels and should no longer reduce personal income gains.

Outlays were surprisingly weak in October. The 2.0% decline in personal consumption was largely anticipated as a result of a significant decline in automobile sales. However, the magnitude of the decline in durable goods expenditures exceeded our previously forecasted amounts. This suggests that durable sales probably will continue to grow less than had been anticipated. Expenditures on services also were unusually low as a lackluster stock market sharply reduced earnings on financial services. A modest rebound is anticipated in November followed by more vigorous gains in the service components in subsequent months. After adjustment for inflation, consumption is expected to fall at an annual rate of nearly 7% during the fourth quarter.

Retail Sales - Most retail sales are mirroring the performance in consumer outlays. Automobile sales slumped sharply following their September surge from incentives. Sales are gradually firming in the latter part of November as some consumers are encouraged to buy automobiles before the sales tax reduction is lost. However, this will merely shift sales from early 1987 into the latter part of 1986. Sales for other durables continue to grow vigorously, although some sales tax shifting may also cause a slight slowing in activity early in 1987.

Construction - Mortgage rates have fallen to 9% on FHA loans and some fixed mortgages are being quoted at less than 9% with two or three points. This normally would means vigorous single-family activity. However, sales of new homes are showing a little bit of tarnish in October following an especially vigorous rate of sales growth in September. This may explain why single-family permits fell significantly in the last two months. Some rebound is anticipated in single-family activity, but only dramatic declines in interest rates will significantly raise housing activity under current economic conditions and such dramatic declines are not anticipted. Multi-family activity already is slumping sharply as a result of adverse incentives generated by the tax reform package. Permits are expected to fall below 500,000 units by early 1987 and starts should very quickly follow. All housing starts should average approximately 1.6 million in 1987 with slightly more than 1.1 million for single-family units.

Despite the slowing in housing starts, a rush to complete previously started units has significantly raised residential construction expenditures. A similar rush to build appears to be developing for nonresidential properties as well. This is creating significant strength for construction expenditures at present, but this strength should quickly turn into weakness very early in 1987. Already, impending weakness in construction activity is reducing inflationary pressures. In October, the construction deflator showed no change.

Business Activity - Although consumption should fall sharply in the fourth quarter, no economic weakness should occur because business inventories are expected to expand significantly. After a significant period of decline, manufacturing inventories are expected to increase in November. Retail inventories should grow sharply as auto sales plummet while auto production only gradually eases. Excess inventories could begin appearing as early as January.

Orders for durable goods were especially weak in all categories in October. Traditionally, orders tend to fall following an unusually strong month, which occurred in September. This appears to be the result of incentive programs provided to sales people in the previous month. Normally, the month following the completion of such sales incentive programs records a significant reduction in orders. (Some sales people induce customers to shift the timing of their orders in order to help the incentive programs). In addition, defense orders fell sharply following two months of unsustainable increases. The decline in defense orders has now brought those orders $2 billion below shipments. Clearly, orders will rebound toward shipments in the next few months. An anticipated increase in orders for nondefense capital goods is largely the result of anticipations that machinery will begin performing better in the months ahead than in the past. Offsetting this optimistic outlook for nondefense orders is concern that commercial aircraft orders will slow after an especially vigorous several months of activity.

Industrial production was unchanged in October as production of consumer goods fell by 0.4% even as production of business materials and business equip-

ment showed no change. Leading the decline in consumer goods was a decrease in automobile production to 7.3 million units from 7.7 million units at annual rates a month ago. Further modest production cutbacks in automobiles can be expected, but no decline of the October magnitude should be anticipated. Business equipment probably will increase as some customers wish to receive equipment before depreciation schedules change. This is especially true of trucks. Therefore, a modest rebound is anticipated in industrial activity over the next few months. However, this will be followed by a period of industrial stagnation early in 1987.

Prices - Larger than anticipated increases in new model automobile prices will result in higher estimates of the consumer durables deflator than contained in our forecast. Prices of consumer nondurables currently are higher than had been anticipated as a result of persistent increases in food prices. However, another bout of falling oil prices and moderation in meat price changes over the winter months should bring nondurable prices back to ranges that had previously been expected. On the other hand, plunging natural gas prices and the largest single monthly decline in electricity prices that occurred in October will lead to a lower price increase for the energy component of consumer services next year. Nevertheless, the impact is to slightly increase prices for the consumption deflator. However, prices for the CPI are expected to grow slightly slower than previously forecast as a result of modest price increases for used cars.

Miscellaneous - Our projections for trade balances already have been explained in earlier commentary. In general, exports are expected to improve but imports of oil product also should rise. As a result, improvement in the merchandise trade balances will be more significant than contained in our forecast but will not be very dramatic. As a result, the deficit will fall from approximately $170 billion in 1986 to $155 billion in 1987.

Much of the recent rebound in the leading indicators has been associated with growth in sensitive prices following a collapse in cotton prices in August. In addition, unusually low inflation rates have continued to generate significant growth in real money balances. In 1987, however, the absence of a collapse in oil prices should prevent real balances from growing as rapidly as in the present year. Furthermore, the rebound in sensitive prices should be relatively limited. Also, initial unemployment claims are near their low point for this cycle. While they could fall further, the degree to which they can contribute to favorable leading indicator performance is sharply diminished.

Financial Markets

An apparent spurt in inventory rebuilding along with rapid growth in construction expenditures is leading to more significant pressures on short-term credit markets than had been anticipated. As a result, short-term interest rates are drifting upward, placing considerable pressure upon the Federal Reserve. The Federal Reserve has responded to this pressure by modestly increasing the desired trading range for the federal funds rate and also permitting more rapid growth in the money stock than otherwise would prevail. Unlike previous spurts in money growth, a portion of the money growth burst developing in the fall is the result of money demand. Normally, this condition would lead to Federal Reserve restraint and significant increases in interest rates or more inflation not too many months down the road. However, the inventory and construction buildout appear to be temporary. As a result, upward

pressures upon credit markets should ease and the Federal Reserve will be able to significantly slow money growth in the winter months. Indeed, short-term interest rates probably will weaken in the winter, leading to a discount rate cut by the spring.

Long-term interest rates are beginning to perform well in this economic environment. Previous concerns about resurging inflation have subsided. To some extent these concerns were related to gold price movements, which are not as relevant in dictating inflationary pressures at this time as some people expect. In fact, commodity inflation is gradually intensifying, but no serious inflationary pressures are expected to resurface in 1987. Toward the end of the year, however, fears of rising inflation could lead to higher long-term interest rates.

Equity Markets - Real earnings apparently are growing during the fourth quarter. As inflationary concerns have eased, long-term interest rates have also declined. This is an economic environment that tends to lead to significant increases in equity values. In fact, the stock market has performed surprisingly well. However, the sluggish economy early in 1987 should diminish real corporate earnings. In addition, corporations will be facing higher tax charges, not all of which will be passed on to wage recipients or customers in the short-run. Fortunately, declining interest rates should blunt any downward movement in equity values during the first half of 1987. While a sell-off to the 1700 range on the Dow Jones certainly is possible in the winter months, the market then is expected to rebound through much of the rest of the year. Toward the end of the year, when inflation begins intensifying and interest rate pressures begin resurfacing, the stock market may begin to worry about Federal Reserve restraint. However, the market probably will exceed 2100 early next fall before those concerns prevent any further improvement in equity values.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	100105	100105	117.9	117.9	109882	109882	6.9	6.9	168.9	168.9
August	100261	100283	118.4	118.4	110155	110155	6.8	6.8	169.2	169.3
September	100368	100448	118.4	118.3	109891	109891	7.0	7.0	169.2	169.6
October	100558	100746	118.7	118.3	110169	110240	7.0	7.0	169.9	170.3
November	100713	100893*	119.0	118.5*	110235	110406*	6.9	7.0*	170.1	170.5*
December	100868	101062	119.2	118.7	110278	110591	7.0	6.9	170.3	170.8
January 1987	100993	101223	119.3	118.8	110569	110807	7.0	6.9	170.8	171.1
February	101108	101379	119.3	119.0	110799	110981	7.0	6.9	171.3	171.5
March	101223	101506	119.4	119.1	110990	111134	6.9	6.9	171.9	171.9
April	101462	101659	119.8	119.3	111216	111300	6.8	6.8	172.3	172.4
May	101654	101824	120.0	119.4	111452	111493	6.8	6.8	172.6	172.7
June	101846	101993	120.2	119.6	111688	111835	6.7	6.6	173.0	173.1
July	101993	102146	120.4	119.8	111816	111908	6.6	6.7	173.5	173.6
August	102104	102317	120.5	120.0	111945	112029	6.7	6.8	173.9	174.0
September	102215	102469	120.6	120.1	112074	112101	6.8	6.9	174.4	174.5
October	102420	102621	120.8	120.3	112280	112423	6.8	6.8	174.8	174.9
November	102565	102763	121.0	120.4	112483	112609	6.7	6.8	175.2	175.3
December	102711	102924	121.1	120.6	112687	112796	6.7	6.7	175.6	175.7

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	3.493	3.493	2.072	2.072	110.9	117.6	2.979	2.979	2.868	2.861
August	3.500	3.501	2.083	2.083	95.0	93.1	2.981	2.981	2.886	2.888
September	3.512	3.512	2.090	2.088	56.6	60.3	2.988	2.988	2.889	2.928
October	3.527	3.524	2.101	2.102	104.6	123.8	3.001	2.995	2.897	2.872
November	3.544	3.533*	2.108	2.107*	116.3	132.7*	3.014	3.000*	2.898	2.867*
December	3.560	3.547	2.115	2.116	109.4	120.1	3.028	3.009	2.919	2.889
January 1987	3.564	3.557	2.125	2.123	128.3	157.1	3.057	3.048	2.929	2.891
February	3.577	3.574	2.136	2.134	118.8	158.9	3.066	3.063	2.947	2.904
March	3.592	3.587	2.146	2.142	118.9	155.6	3.078	3.073	2.959	2.917
April	3.613	3.605	2.155	2.154	124.2	152.9	3.097	3.087	2.973	2.934
May	3.632	3.618	2.167	2.161	120.3	141.0	3.113	3.096	2.993	2.955
June	3.652	3.636	2.176	2.172	117.3	140.4	3.130	3.110	3.013	2.970
July	3 664	3.653	2.184	2.183	114.7	140.5	3.138	3.123	3.023	2.983
August	3.676	3.671	2.193	2.194	106.6	142.0	3.146	3.137	3.039	2.995
September	3.689	3.686	2.202	2.203	100.3	140.9	3.154	3.148	3.053	3.007
October	3.709	3.704	2.211	2.214	102.8	133.2	3.170	3.162	3.067	3.029
November	3.728	3.719	2.221	2.222	94.2	124.9	3.185	3 173	3.091	3.048
December	3.748	3.738	2.232	2.233	97.0	122.0	3.201	3.188	3.105	3.066

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	2772.7	2765.8	381.1	384.4	932.8	932.8	1448.9	1448.7	2433.3	2428.4
August	2790.2	2791.8	402.4	405.0	937.2	935.6	1450.6	1451.2	2443.2	2445.2
September	2834.9	2830.1	437.1	442.9	936.5	928.1	1461.3	1459.1	2474.6	2466.7
October	2799.1	2773.0	384.3	372.5	944.3	936.3	1470.5	1464.2	2436.1	2405.7*
November	2799.8	2769.3*	379.8	360.7*	941.7	938.1*	1478.3	1470.5*	2428.3	2395.0
December	2820.0	2790.0	382.5	367.3	949.6	943.8	1487.9	1478.9	2437.3	2404.5
January 1987	2829.3	2791.1	379.6	356.3	954.5	947.5	1495.2	1487.3	2437.0	2398.4
February	2846.6	2803.5	384.1	358.4	958.2	949.5	1504.3	1495.6	2443.4	2402.3
March	2858.2	2815.9	386.5	360.9	957.1	950.5	1514.6	1504.5	2445.0	2407.4
April	2871.1	2831.7	389.4	365.7	958.2	952.2	1523.5	1513.8	2449.7	2412.2
May	2891.1	2851.8	393.6	373.4	964.7	955.7	1532.8	1522.7	2462.6	2421.5
June	2909.9	2865.6	393.3	375.1	976.9	958.9	1539.7	1531.6	2470.2	2426.1
July	2919.6	2877.7	395.2	376.2	975.6	960.7	1548.8	1540.8	2470.1	2429.1
August	2935.2	2889.3	396.8	375.2	980.2	964.9	1558.2	1549.2	2474.9	2430.6
September	2948.7	2900.5	399.6	372.9	980.6	968.8	1568.5	1558.8	2477.9	2431.0
October	2962.1	2921.2	397.8	380.9	986.4	972.5	1577.9	1567.8	2480.8	2438.5
November	2984.8	2939.4	405.3	383.4	993.1	977.5	1586.4	1578.5	2491.5	2446.0
December	2998.5	2956.3	404.7	382.5	998.0	984.6	1595.8	1589.2	2494.6	2451.8

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	119.80	119.80	18.88	18.88	10.7	10.7	73.49	73.49	27.43	27.43
August	121.57	121.52	19.13	19.14	12.7	12.7	73.88	73.61	28.57	28.77
September	127.18	128.00	19.22	19.34	16.1	16.1	73.83	73.49	34.13	35.18
October	121.34	121.59	19.15	19.36	10.3	10.3	74.43	73.68	27.76	28.55
November	120.18	120.06*	19.53	19.50*	9.5	9.6*	74.22	73.82*	26.43	26.74*
December	121.54	121.51	19.71	19.66	9.8	9.9	74.85	74.27	26.98	27.58
January 1987	121.16	120.13	19.61	19.55	9.4	9.3	75.23	74.56	26.32	26.02
February	122.00	120.82	19.64	19.52	9.6	9.5	75.52	74.72	26.84	26.58
March	122.21	121.22	19.62	19.56	9.9	9.6	75.44	74.80	27.15	26.86
April	122.64	121.97	19.79	19.62	10.0	9.8	75.52	74.93	27.33	27.42
May	123.67	123.23	19.99	19.76	10.2	10.1	76.04	75.21	27.64	28.26
June	124.59	123.70	20.07	19.90	10.1	10.1	77.00	75.46	27.52	28.34
July	124.71	123.99	20.06	19.86	10.2	10.2	76.89	75.60	27.76	28.53
August	125.28	124.19	20.08	19.85	10.3	10.1	77.26	75.93	27.94	28.41
September	125.45	124.20	20.13	19.89	10.3	10.0	77.29	76.24	28.03	28.07
October	125.89	125.52	20.26	20.00	10.2	10.1	77.75	76.53	27.88	28.99
November	127.31	126.23	19.99	19.86	10.6	10.3	78.27	76.92	29.05	29.45
December	127.63	126.68	20.03	19.92	10.5	10.2	78.66	77.48	28.94	29.28

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CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	1.782	1.782	1.137	1.137	1.759	1.759	378.1	378.1	335.2	335.2
August	1.818	1.795	1.199	1.186	1.673	1.673	382.2	382.2	338.1	338.1
September	1.680	1.652	1.116	1.100	1.613	1.603	382.8	382.8	338.2	338.2
October	1.694	1.648	1.133	1.106	1.592	1.557	384.3	386.3	338.6	340.7*
November	1.687	1.660*	1.143	1.133*	1.576	1.532*	385.5	385.1*	338.8	338.7
December	1.680	1.645	1.141	1.130	1.583	1.513	385.9	384.6	338.2	337.7
January 1987	1.713	1.643	1.152	1.132	1.567	1.506	383.3	383.1	335.1	335.8
February	1.698	1.622	1.150	1.126	1.569	1.503	380.7	380.0	332.2	332.5
March	1.685	1.625	1.136	1.117	1.543	1.478	378.7	376.6	329.6	328.6
April	1.637	1.645	1.121	1.124	1.517	1.496	379.8	378.1	329.7	329.4
May	1.625	1.608	1.115	1.105	1.483	1.492	379.7	378.4	328.7	329.0
June	1.612	1.598	1.112	1.096	1.472	1.473	379.5	377.9	327.7	327.8
July	1.615	1.604	1.120	1.107	1.470	1.463	377.8	377.4	325.7	326.5
August	1.607	1.609	1.117	1.112	1.463	1.469	376.5	378.0	324.3	326.4
September	1.600	1.570	1.099	1.092	1.438	1.455	375.7	378.3	323.0	326.1
October	1.597	1.581	1.087	1.093	1.445	1.442	376.5	377.5	322.9	325.2
November	1.593	1.599	1.084	1.106	1.452	1.466	377.9	376.6	323.3	323.8
December	1.588	1.626	1.080	1.113	1.455	1.483	379.1	377.5	323.2	323.8

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	129.8	129.8	72.5	72.5	175.9	175.9
August	131.9	131.9	73.6	73.6	176.7	176.7
September	132.2	132.2	73.5	73.5	177.1	177.1
October	132.0	132.7*	74.3	75.7*	178.0	177.9*
November	131.7	133.5	75.2	75.5	178.6	176.1
December	131.2	133.1	76.1	76.4	178.6	175.1
January 1987	130.9	130.8	75.5	77.1	176.9	175.2
February	130.6	128.4	75.1	76.8	175.0	174.8
March	130.4	125.6	75.3	76.6	173.0	174.4
April	130.8	127.1	75.4	77.0	173.6	174.0
May	131.1	127.5	75.6	77.1	173.0	173.8
June	131.2	126.7	75.6	77.4	172.7	173.8
July	130.9	127.2	76.1	76.9	170.8	173.3
August	130.6	128.0	76.6	77.3	169.3	172.7
September	131.0	128.1	77.0	77.8	167.7	172.4
October	131.1	127.3	77.2	78.1	168.2	172.1
November	131.4	126.5	77.6	78.5	168.9	171.6
December	131.6	126.9	78.0	78.9	169.5	171.7

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	278.6	278.6	106.22	106.22	27.39	27.39	27.42	27.42
August	278.1	278.1	103.85	103.85	26.33	26.33	27.28	27.28
September	277.8	276.8	108.99	108.72	28.63	28.22	27.22	27.08
October	278.1	277.1	104.63	102.23	27.42	26.13	27.36	27.50
November	278.5	277.8*	104.28	104.46*	27.05	26.84*	27.21	27.56*
December	279.0	278.4	102.89	103.89	26.43	27.02	27.13	28.03
January 1987	279.8	279.2	103.17	103.17	26.46	26.29	27.19	26.93
February	280.7	280.3	104.93	103.94	26.82	26.17	27.10	26.72
March	281.6	281.1	104.86	104.56	26.95	26.43	27.15	26.89
April	282.9	282.7	106.07	105.23	27.46	26.89	27.39	27.13
May	283.5	283.5	106.89	105.96	27.89	27.16	27.67	27.19
June	284.2	284.4	106.55	105.54	27.90	27.43	27.91	27.34
July	285.7	285.6	105.93	106.07	27.51	27.40	27.84	27.45
August	286.5	286.5	105.46	105.82	27.36	27.52	27.56	27.53
September	287.6	287.3	105.67	105.43	27.45	27.50	27.79	27.56
October	289.0	288.6	106.29	105.96	27.82	27.56	27.85	27.63
November	290.1	290.0	107.43	106.29	27.99	27.43	28.01	27.72
December	291.1	291.1	108.21	106.58	28.13	27.61	28.16	27.84

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	591.9	591.9	8.08	8.08	124.9	124.9	79.3	79.2
August	591.9	591.9	7.64	7.64	125.1	125.1	79.2	79.2
September	590.2	588.4	7.67	7.69	125.3	125.2	79.2	79.2
October	591.5	590.7*	7.92	7.96	125.5	125.2	79.1	79.0
November	593.6	593.0	8.05	7.90*	125.6	125.5*	79.0	79.1*
December	595.9	595.4	8.18	7.94	125.7	125.7	78.9	79.1
January 1987	597.8	597.5	8.21	8.03	125.9	125.7	78.9	78.9
February	599.4	599.8	8.15	8.11	126.0	125.8	78.8	78.8
March	602.3	602.4	8.26	8.20	126.2	125.8	78.8	78.6
April	604.6	603.9	8.30	8.17	126.8	126.0	79.2	78.6
May	606.9	605.7	8.34	8.24	127.4	126.2	79.6	78.6
June	608.7	607.5	8.38	8.30	128.0	126.4	80.0	78.6
July	611.5	609.9	8.46	8.59	128.0	126.5	79.8	78.5
August	613.4	612.2	8.57	8.35	128.0	126.6	79.6	78.4
September	615.7	614.9	8.69	8.53	127.9	126.8	79.3	78.4
October	618.0	617.7	8.42	8.65	127.7	126.8	78.9	78.2
November	619.9	620.1	8.65	8.62	127.7	126.9	78.7	78.1
December	622.6	622.2	9.03	8.80	127.9	127.0	78.7	78.0

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	327.6	327.6	287.3	287.3	308.5	308.5	114.7	114.7
August	328.2	328.2	288.3	288.3	307.7	307.7	114.9	114.9
September	329.2	329.2	289.5	289.5	308.8	308.8	115.3	115.3
October	330.3	329.8	290.4	290.4	310.0	310.0	115.6	115.8
November	331.1	330.8*	291.0	291.0*	310.5	310.6*	115.9	116.1*
December	332.0	331.7	292.0	291.8	311.1	311.3	116.3	116.5
January 1987	333.2	332.8	293.1	292.7	311.7	312.1	116.7	116.9
February	334.4	333.8	294.2	293.5	312.2	312.4	117.1	117.2
March	335.5	334.7	295.0	294.3	312.4	312.0	117.3	117.5
April	336.5	335.5	295.8	294.9	313.0	311.6	117.6	117.8
May	337.4	336.3	296.6	295.6	313.3	312.5	118.0	118.2
June	338.3	337.1	297.4	296.3	313.6	313.3	118.3	118.6
July	339.3	338.0	298.1	297.1	313.9	313.8	118.6	118.9
August	340.2	339.0	298.9	298.0	313.3	314.3	119.0	119.3
September	341.1	339.9	299.6	298.8	311.2	312.4	119.4	119.7
October	342.2	341.0	300.6	299.7	314.3	315.4	119.8	120.1
November	343.3	342.1	301.6	300.5	315.1	316.0	120.1	120.5
December	344.4	343.2	302.5	301.3	315.9	316.6	120.4	120.9

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
July 1986	113.9	113.9	105.5	105.2	106.1	106.1	122.4	122.3	112.8	112.8
August	114.2	114.2	105.8	105.8	106.4	106.4	122.8	122.7	113.0	113.0
September	114.5	114.7	106.3	106.3	106.7	107.2	123.2	123.2	113.1	113.2
October	114.9	115.3*	106.5	106.7*	106.9	107.5*	123.7	123.5*	113.5	113.4*
November	115.3	115.6	106.3	107.0	107.1	107.7	124.1	123.9	113.8	113.7
December	115.7	116.0	106.2	107.2	107.5	108.1	124.5	124.4	114.1	113.9
January 1987	116.1	116.4	106.5	107.4	107.9	108.3	125.0	124.8	114.4	114.1
February	116.5	116.7	106.7	107.7	108.1	108.4	125.5	125.3	114.6	114.3
March	116.9	117.0	106.9	107.9	108.2	108.5	126.0	125.7	114.9	114.6
April	117.2	117.4	107.1	108.1	108.5	108.9	126.4	126.2	115.2	114.8
May	117.4	117.8	107.3	108.4	108.8	109.2	127.0	126.7	115.5	115.0
June	117.8	118.1	107.5	108.6	109.1	109.5	127.5	127.1	115.8	115.3
July	118.2	118.3	107.6	108.9	109.3	109.8	128.1	127.6	116.0	115.6
August	118.6	118.9	107.8	109.1	109.5	110.1	128.6	128.0	116.1	115.8
September	119.0	119.3	108.0	109.3	109.8	110.5	128.9	128.5	116.3	116.0
October	119.4	119.8	108.2	109.7	110.2	110.9	129.4	129.1	116.6	116.1
November	119.8	120.2	108.4	110.1	110.6	111.1	130.0	129.6	116.9	116.3
December	120.2	120.6	108.6	110.4	111.0	111.4	130.6	130.1	117.3	116.6

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